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...eat silo, Australia.

U.S. Agriculture's Stake in World Trade Negotiations

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In this issue:

This week's cover:

Trucks queue up at wheat silo at Eumungerie, New South Wales, Australia. Wheat output in Australia rose to a spectacular 12.1 million metric tons last year, according to a report beginning on page 8.

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U.S. Agriculture's Stake In World Trade Negotiations

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THE TRADE ACT of 1974 has opened the way for the world trade negotiations in Geneva.

The Act is the first U.S. trade legislation in 12 years. It comes at a time of international economic turmoil—at a time when nervous governments are increasingly tempted to tamper with the movement of trade to solve short-term financial problems. This has created a climate that threatens to reverse the progress of the past 25 years toward establishing a stable trading system.

In this situation, the objective of the negotiations goes far beyond tariff reductions. It will be an effort to end the drift into trade disorder—to shore up the system by establishing new trading rules and by dealing head-on with nontariff measures, the primary mechanisms disrupting trade today.

Negotiators in Geneva are meeting in an atmosphere different from that of the past, when the primary concern was access to markets. These negotiations will take place against a background of developed country concern over gaining access to supply—to assure sources of energy and raw materials. Many of these are controlled by increasingly confident developing countries, which have shown a willingness to work together to promote their own interests.

In addition, the present lack of an orderly world monetary system plus the floating currencies of many major countries further complicate prospects for meaningful negotiations.

Some question whether this is the right time to negotiate. They cite the changing world economic situation, the oil price increase, food shortages, and what appears to be a deepening recession as reasons for delay.

The U.S. Department of Agriculture believes the opposite to be true. The panic over oil, the furor 2 years ago over soybeans, and apprehension over grain supplies have removed all doubt that this is an interdependent world. These developments have indicated that when the system for exchanging goods in an orderly manner is increasingly interfered with, the world is in trouble.

Expanding trade is crucial to the economic health of the world. While progress toward a freer trading world may be slow, today's economic circumstances make it more imperative than ever to achieve progress in the forthcoming round of trade talks in Geneva.

The first General Agreement on Tariffs and Trade (GATT) negotiations took place in 1947 among 23 countries. Over the years further multilateral negotiations culminated in the Dillon Round in 1960-61 and the Kennedy Round of 1964-67: by this time the number of participating countries had risen to 74.

These negotiations concentrated largely on tariff reductions, and eliminated protective tariff barriers among industrialized nations as the major problem in world trade.

However, agriculture has not shared fully in the benefits of these negotiations. During the Kennedy Round, a linear approach to tariff cuts—that of an across-the-board percentage reduction among the participants—was designed to replace the former item-by-item approach. Agriculture, however, was excluded from this change, and little was done to create a more favorable climate for agricultural trade.

On the agricultural front, these new negotiations are taking place against a background of the frustrated efforts of past negotiations to create a system of freer world trade in farm products. There are many reasons for this, but the root difficulty rests in the systems governments, all over the world, use to protect the income of their farmers from the competition of imports from more efficient producers, such as the United States. A central problem in this new

Based on a speech before the National Council of Farmer Cooperatives, San Diego, Calif., Jan. 14-16, 1975.

New multilateral trade negotiations have now begun in Geneva, first since the Kennedy Round in 1963-67. Important decisions to be made in months to come will help determine agriculture's prospects for obtaining the market access concessions it needs.

round of trade negotiations is the European Community, which now represents nine nations, rather than six.

There seems to be little enthusiasm on the part of the EC for negotiations on agriculture. The Community is wedded to its Common Agricultural Policy (CAP), with its highly protective border mechanisms, and maintains that the principles of the CAP are not negotiable. Pronouncements by the EC make it clear that their interest is in the stabilization of prices and trade and not in the liberalization of trade. The EC advocates commodity agreements as the means of achieving stability.

On the other hand, the United States seeks a more open market system and the elimination of restrictions, which will permit prices to perform their function of providing incentives to farmers to produce what the world needs. Thus, the United States enters the negotiations with a fundamental difference in approach and objectives from the EC, which took one quarter of total U.S. agricultural exports in 1973-74.

The principal trade barriers which negotiators must now work to eliminate are the nontariff barriers (NTB)—variable levies, import quotas, export subsidies, packaging and labeling standards, government procurement practices, customs valuation methods, import licensing requirements, and nuisance health regulations. These and many others are the most serious impediments to the free flow of trade.

The EC variable levy system for poultry and many other farm products is an example of the type of restrictive NTB's with which the United States must deal in the Multilateral Trade Negotiations (MTN).

Implementation of the levy in 1962 on broilers marked the loss of an important U.S. export market, valued at $50 million. This levy caused the famous "Chicken War" between the United States and the EC. In subsequent years newly developed markets for chicken parts and whole turkey were also eliminated by the operation of the variable levy system.

Now, the remaining markets for U.S. turkey parts are threatened by the EC action that has increased import levies on these products tremendously during the past 9 months. At the same time, surplus EC poultry produced behind these highly protective barriers has been dumped in third country markets, such as Switzerland, Austria, Greece, and even Japan with the aid of heavy subsidies. This has severely damaged U.S. trade opportunities in those markets.

A key U.S. objective in the MTN will be to fix and bind the level of the EC protection on turkey parts at a reasonable level. At the same time the United States will press for the elimination of the use of subsidies by the Community on all commercial export shipments.

"Fundamental to the position of U.S. agriculture in the negotiations is that agricultural and industrial matters be considered as a package, not separately."

The importance of these trade negotiations to U.S. agriculture should be obvious—particularly when almost 1 in every 3 acres harvested in the United States produces for export, when about two-thirds of U.S. wheat production moves into overseas markets, and about half the rice, cattle hides, and soybeans, two-fifths of the cotton, and a fourth of the feedgrain output are sold to foreign customers.

Exports of U.S. farm products reached $21.3 billion in the last fiscal year. Almost $1 in every $4 that the American farmer received for the sale of his products came from a foreign source.

These are impressive figures. An even better year is expected for 1974-75, with total export value reaching the neighborhood of $22 billion.

Of the $8.4 billion increase from fiscal 1973 to 1974, however, 85 percent was accounted for by price increases and only 15 percent by expanded volume. Two devaluations of the dollar also made U.S. farm products more competitive, but devaluations have a way of coming home to roost eventually in terms of higher production costs.

The new demand and price plateau for U.S. exports, therefore, are not necessarily permanent. Conditions that have favored U.S. trade so much this year and last are likely to change in the near future. For example, the volume of exports in fiscal 1975 is expected to drop by 17 million tons from last year's 100-million-ton level. Quantity of exports, like value, is important to U.S. farmers and shippers. Thus, the United States cannot relax efforts to remove obstacles that hinder the access of its highly competitive produce to customers abroad.

Roughly two-thirds of U.S. farm exports are subject to some form of restriction in foreign markets. There is no measure of how much trade is lost because some of these duties are too high, or because nontariff barriers keep willing buyers and willing sellers apart. Certainly, more would be sold without these restrictions.

It is not only agriculture that has a stake in freer agricultural trade. The whole Nation has benefited from agriculture's strong trade posture—through jobs, with an estimated 1 million working in jobs directly involving the production and export of farm commodities; through the efficient use of agricultural resources that comes with full production, and, perhaps most important, through the strengthening of the U.S. stance in international trade.

Agriculture's contribution to the U.S.

trade balance was nearly $12 billion in fiscal 1974. This means the United States exported almost $12 billion more in agricultural products than it imported. This difference more than offset a deficit of some $9 billion in nonagricultural trade, giving the Nation a total trade balance of $2.8 billion in the black.

The United States needs surpluses from its agricultural trade to pay for the high-priced oil, and other imported raw materials and consumer goods, and will require these surpluses even more in years to come. This is another reason why agriculture must play a more central role in the current round of negotiations than it did during the Kennedy Round.

One of the major U.S. targets in the trade negotiations will be the widespread use of subsidies by countries to push excess production onto the world market in competition with U.S. exports. Poultry, dairy products, grains, fruits, and vegetables are some of the principal products frequently subsidized. The United States has used subsidies in the past, but no longer does so. Farmers should not have to compete with the treasuries of other governments in the world market. This major factor in distorting trade and use of resources will be the focus of intense negotiations in the MTN. The United States hopes these negotiations produce a strict code to control the use of subsidies.

"The United States must be prepared to offer improved access to its industrial markets in return for the liberalization it needs for U.S. agricultural exports in the markets of other countries."

Similarly, trade distortions and impediments resulting from the use of product standards—such as health and sanitary measures, packaging and labeling, and the use of chemical additives —can also be brought under control through negotiation of appropriate codes to prevent their unfair and illegitimate use in restricting trade.

The United States will neither seek nor offer commitments on domestic farm price support levels. These are domestic concerns and are, of course, politically sensitive in all countries. However, the United States could reach agreement on general principles aimed at assuring that domestic programs are not used to offset negotiated commitments for better market access.

The United States will avoid involvement in commodity agreements with price provisions, or other provisions aimed at what proponents of this approach call price and market stability. Rigidity rather than stability is the result of such agreements. U.S. experience has shown that such an approach disrupts markets and distorts production to the long-term detriment of both the producer and consumer.

Fundamental to the U.S. position on agriculture in the negotiations is that agricultural and industrial matters must be considered as a package, not separately, as many would have it. This is a major issue.

Keeping agricultural and industrial negotiations separate could again frustrate progress in liberalizing agricultural trade—an issue which will cause problems between the United States and the EC, and possibly others. The United States should adopt a total negotiating strategy for the MTN under which it will not make trade concessions in any sector until achieving the maximum possible from the negotiations for all trade sectors, including agriculture.

The problem for the United States is that its agricultural imports are small relative to its agricultural exports—that imports alone do not provide enough bargaining leverage to win the concessions it needs.

In fiscal 1974, U.S. agricultural imports were $9.5 billion, compared to exports of $21.3 billion. Forty percent of those imports are already duty-free, and half of the remaining dutiable items comes from developing countries that will be extremely reluctant to give the United States a full shot at their markets in return for agricultural concessions within U.S. markets.

All this adds up to the inescapable conclusion that to obtain meaningful results for agriculture in the negotiations, the United States must be prepared to offer improved access to its industrial markets in return for the liberalization it needs for U.S. agricultural exports in the markets of other countries.

Therefore, agriculture must not be segregated from industry during the negotiations. The United States seeks a functional negotiating structure, one that provides for a group to work on tariffs and a group to work on nontariff matters, and for the inclusion of all agricultural commodities and all industrial products in both of these groups. What it does not want is to repeat the error of the Kennedy Round.

"The United States needs surpluses from its agricultural trade to pay for the high-priced oil, and other imported raw materials and consumer goods . . ."

With regard to nontariff barriers, the primary U.S. objective will be a multilateral code eliminating, or reducing, export subsidies. Such a code should cover all commodities, agricultural as well as industrial. In this connection, the United States must face up to negotiations on the Section 22 dairy quotas, but will do so only in exchange for the elimination of export subsidies.

As Secretary of Agriculture Earl L. Butz told the National Milk Producers Federation last year:

"This Administration is prepared to put the matter of quotas on the negotiating table, but we're not going to give them away. We'll fight to prevent the dumping of subsidized dairy products in the United States. If we liberalize import quotas in the United States," the Secretary said, "we must have some companion mechanism that protects our farmers against the threat of subsidized competition.

"U.S. farmers are willing to compete with French farmers, but not with the French Government or the government of any other country. Nor should they be asked to."

U.S. farmers can compete on the world market—they have the export record to prove it. But the rules of the game must be fair. The U.S. goal, simply stated, is to improve the competitive climate in international trade; and to work toward a trading system where buying and selling are based on productivity, efficiency, and consumer choice; rather than Government regulation.

South Africa's 1975 Corn Crop Seen Down to 8.5 Million Tons

REPUBLIC OF SOUTH AFRICA: CORN SUPPLY AND DISTRIBUTION [In 1,000 metric tons]		
Item	Estimated 1974-75	Preliminary 1975-76
Beginning stocks	464	2,057
Production	11,035	8,500
Total supply .	11,499	10,557
Domestic disappearance	5,947	6,200
Exports	3,495	3,457
Ending stocks ..	2,057	900

South Africa's 1975 corn crop is likely to total only about 8.5 million metric tons, about 2.5 million tons less than the record 1974 crop of more than 11 million tons but approximately double the extremely low 1973 harvest of only 4.2 million tons.

Area planted to corn this year is 10-15 percent less than the 11.2 million acres planted in 1974 that produced the largest corn crop in South Africa's history. In 1973, about 8.9 million acres were planted to corn.

The 1975 crop estimate—about 23 percent below the banner 1974 harvest—reflects a combination of adverse factors, including rain damage, farmers' preference for producing other crops, hail, flooding, and some outbreaks of streaky leaf disease. There have been no reports of corn leaf blight, however.

The rainy season started late in 1974 for the new plantings, and some farmers in the eastern areas decided to switch to shorter season crops such as sunflower, grain sorghum, beans, and buckwheat.

Since the beginning of 1975, very wet conditions have been experienced, and weed control has become a problem as a result of the extreme wetness of the fields. Airspraying companies report record activity in the eastern Transvaal, but such measures may be inadequate to control the problem.

Reports of hail and flood damage have been received from most corn-growing areas, but the extent of the damage has not yet been assessed.

Incidents of streaky leaf disease have been reported from the western areas. This disease causes corn to tassel before maturity and corncobs are diminished in size.

The possibility of an outbreak of corn leaf blight cannot be discounted at this stage, in view of reports in 1974 of an isolated small outbreak in the Lydenburg area. Although no outbreak of corn leaf blight has been reported, the Ministry of Agriculture is keeping a close watch, and any reports from the fields are treated with highest priority.

Because of the late planting, the corn is still very young and conditions could change significantly. An early frost, for example, in the eastern areas, could be disastrous, as well as any occurence of the traditional dry spell in February and March, when the crop should be tasseling. Abnormally heavy rains also could further influence the crop.

Because of the drought conditions that prevailed at planting time, some land earlier intended for planting to corn may have been planted to other crops. Some reports indicate that hail damage during the second half of January caused farmers to plow under damaged corn and to switch, at the last moment, to other crops.

Corn movements into export are tightly controlled by the South African Maize Board under a system of export tenders. The quantities exported are usually determined by the amount of the surplus available and the quantity the South African Railways can move to the ports for export shipment as well as the number of ships that can be accommodated at the loading docks.

Corn exports, which have been in full swing since June 1974, are not expected to be influenced much by the new crop yet, and shipments are expected to continue in much the same quantities until the size and quality of the 1975 crop can be assessed.

An export limit of about 26 cargoes (about 13,500 tons each) per month is expected to continue in effect as long as no excessive port congestions occur.

Domestic disappearance of the new corn crop is not expected to increase at a high rate because of the possibility of a producers' price increase for the new season. Some officials believe a new prepayment scheme for corn farmers may be created by the South African Maize Board.

—Based on report from
Office of U.S. Agricultural Attaché
Pretoria

U.S. Farm Exports May Set Record in 1975

U.S. exports of farm products for the fiscal year ending June 30, 1975, are currently projected at $22 billion, compared with the record $21.3 billion shipped overseas in fiscal 1974. Although the fiscal 1975 outlook for individual commodities has changed slightly since early December, the overall value for exports of farm products remains virtually changed.

During the first 6 months of the current fiscal year, agricultural exports rose 7 percent to $10.6 billion—despite a 21 percent decline in the volume of the major bulk commodities. For the year, tonnage of the principal bulk commodities is expected to drop by more than 15 percent. However, higher prices for many of the commodities will more than offset the volume decline.

Agricultural imports are expected to total $10.7 billion in fiscal 1975—approximately $1.2 billion above last year's. The value of imported sugar and related products is expected to be up $2 billion. Thus, agriculture's contribution to the U.S. trade balance should total over $11 billion and compare favorably with the $11.8 billion of fiscal 1974.

Specifically, the volume of grain exports will be down sharply but value will be maintained by higher prices. Soybean exports will also be down in quantity, but total value will approach last year's record due to higher prices. Cotton exports are expected to decline in both quantity and value.

Overseas shipments of livestock and livestock products are not likely to reach last year's $1.5 billion total, while tobacco exports are forecast at $800 million, equal to last year's level. Exports of horticultural products may exceed the record set in fiscal 1974, with shipments of $1.2 billion anticipated in fiscal 1975.

The export volume of the major bulk commodities is projected at just over 84 million tons, down from the 100

Continued on page 20

French Farmers Face Another Poor Year

French farmers this year will be drawing on experiences of a generally disappointing 1974 season, which saw their sharp income gains of 1973 eroded by stagnating farm production coupled with climbing costs. Yet their problems are not likely to spark a precipitous production decline—in part because of the extensive support given French farmers by both the National Government and the European Community—and probably the only major changes seen in France's 1975 farm output will be caused by the weather.

Perhaps hardest hit in 1974 were livestock producers, whose soaring output—including a 26 percent gain in beef—exacerbated the European Community's meat oversupply problem and depressed returns to farmers at a time of high feed costs. But even producers of grain, whose prices held at relatively high levels in 1974, claim to have suffered from a cost-price squeeze, as well as from declines in overall output last year. These farmers, in turn, mirror the problems of a nation in the grip of stagflation, rising trade deficits, and mounting unemployment—problems facing most Western industrialized countries today.

Last year, the French economy as a whole came under the influence of the rather conservative political policies of Giscard d'Estaing following his election in May 1974 to succeed Georges Pompidou as President. These policies included an attack on inflation through curbs on internal demand (via tight fiscal and credit policies) but encouragement to exports with an overall aim of maintaining economic growth at an annual rate of 4 percent. That growth rate is forecast for 1975, although other estimates are lower.

Inflation did moderate some during late 1974, with the retail price increase slowing to 0.8 percent in November. However, for the first 11 months of 1974, prices were still rising at the rapid annual rate of 15.5 percent, and food prices accelerated in the last months after a dropoff in mid-1974.

Wages jumped 20.2 percent in the year ending September 1974, and purchasing power climbed 4.9 percent compared with 6.7 percent in the year-earlier period. The trade deficit approximated $4 billion in 1974, against $1.4 billion in 1973. And, as in many Western nations, economic activity slowed more than anticipated, with unemployment rising sharply—from about 2.3 percent in the spring of 1974 to roughly 3.4 percent by the end of December.

Among general agricultural developments in 1974, total farm revenue fell an estimated 15 percent, despite support mechanisms of the EC, while prices received for farm products rose an estimated 4 percent in current terms but fell 10 percent in constant terms. Demonstrations by French agricultural interests quieted after temporary resolution of the intra-EC conflict over support price increases, but renewal of such demonstrations is likely in 1975.

Weather was generally bad for crops, as an unusually dry summer was followed by a very wet fall, resulting in lowered production of corn, barley, sugarbeets, and potatoes, while spring frosts cut French fruit production about 15 percent. In fact, among the major crops, only wheat and grapes enjoyed a banner production year.

Grains. With decreases in feedgrain output more than offsetting increases in wheat, grain production in France fell to 40.8 million metric tons in 1974 from 42.8 million the previous year. However, the 1974 crop was still the second largest in French history.

And for wheat, 1974 was the best year on record, as weather favored this crop, pushing output to a peak 19 million tons. Contributing factors were an increase in area harvested to over 10.1 million acres from 9.8 million in 1973 and bumper yields of 70 bushels per acre for soft wheat and 46 for Durum. Over 95 percent of the soft winter wheat accounted for nearly 95 percent of the crop—a dominance expected to continue over the long term because of the better yields than for spring wheat. However, spring wheat production will be up some in 1975 owing to the wet fall of 1974 and resulting delay in wheat plantings. This will, in turn, contribute to a decline in yields (perhaps by 5 percent) as will adequate field preparation and the use of late, lower yielding varieties of winter wheat. Thus, output could decline to around 18 million tons in 1975.

Attractive prices and new varieties have propelled French Durum wheat production upward. Of total output in 1974, Durum accounted for about 550,000 tons—some 100,000 above the previous year's.

For corn growers, 1974 could be the year that marked the end of a long-term upward trend in plantings. The vagaries of French weather and projected increased use of hybrid varieties of wheat suggest somewhat less emphasis on corn. However, poor planting conditions for winter grains in late 1974 may encourage corn planting this spring and thus maintain output through 1975.

Corn production in 1974 was poor both in quantity and quality. Dry summer weather stunted the crop, and the exceptionally wet fall made harvesting difficult to impossible in water-soaked fields. Yields dropped to 72 bushels per acre from 86 in 1973, and harvested corn (except for that in the southwest) had an unusually high moisture content. The high cost of fuel for drying only added to the woes of corn farmers.

Barley and oats production was barely average in 1974, totaling 10 million and 2 million tons, respectively.

Soaring world grain prices also had a major impact on France in 1974 as it became evident that EC farm policies could not insulate the market from outside changes. Some estimates place the cost of feedgrains by the end of 1974 about 40 percent over that at the start of the year, and corn prices in late 1974 probably became directly related to world levels—a phenomenon particularly evident because the EC is a net importer of corn. Wheat prices rose strongly too and were only partially shielded from world changes.

Hogs. Pork production of 1.37 million tons in 1974 was little changed from 1973, and France still faces the challenge of eliminating a 255,000-ton pork deficit over the next 2-3 years. However, France's position as a surplus feedgrain producer and growing interest in large commercial hog operations suggest that production eventually will meet demand.

Pork prices declined from mid-year on, putting producers

under a severe price squeeze in the face of soaring input costs, particularly for corn. Still, little change is expected in 1975 production. and hog numbers at the beginning of 1975 at 11.4 million head held steady.

Cattle. Last year was marked by sharply increased beef production, purchases of intervention stocks as prices fell, weak demand in France's normal export markets (particularly Italy), and an EC-wide ban on beef imports. And there is no end in sight in 1975. French cattlemen illustrate this price squeeze by pointing out that the tractor that "cost" 2,900 kilograms of beef in 1972 cost 4,350 kilograms in 1974.

Intervention purchases—begun on February 20—were being made at the rate of 6,000 tons of beef a week by late 1974. In fact, by the end of 1974, 170,000 tons of French beef had been purchased, although export sales at bargain prices—largely to the USSR and Bulgaria—brought intervention stocks down to about 55,000 tons by the end of 1974.

A large proportion of the 26 percent increase in beef production was concentrated in young bull production, and an even greater percentage of this type of meat went into intervention stocks. Current estimates for 1975 call for an additional 5-10 percent increase in beef production.

With less market incentive for holding calves for fattening to higher slaughter weights, there was a 7 percent jump in veal production in 1974. Although this trend may well continue into 1975, the long-range shift from veal to beef will most likely be resumed with a return to more normal times.

Cattle numbers are estimated to have reached just over 24 million head at the beginning of 1975. Despite the high slaughter rate, this represents a 1 percent increase in the last year and a 7 percent increase from 2 years ago.

Dairy products. Deliveries of milk and dairy products to dairies during 1974 rose an estimated 3 percent from 1973, while total national production of dairy products climbed some 2 percent to 29.8 million tons versus 29.2 million in 1973. Butter output remained stable at 560,000 tons, and cheese rose about 4 percent to 930,000 tons. France has had difficulties finding new outlets for this cheese, largely because of intense competition from the Netherlands. It also is concerned over the size of nonfat dried milk stocks, which were up to 115,000 tons at the end of December 1974 from a year-earlier figure of 49,000.

Poultry. With costs sharply high and insufficient offsetting help from the Government, the poultry industry last year was caught in a cost-price squeeze. Nevertheless, egg production rose slightly last year, with further development of large-scale production systems. Poultry production rose about 3 percent to 590,000 tons, with turkey output climbing 5 percent to 105,000 tons—a rate of increase far below the 33 percent experienced between 1972 and 1973.

Sugarbeets. Despite a 4 percent increase in sugarbeet acreage, 1974 production of beet sugar slid to 2.7 million tons from 2.9 million in 1973. The dry summer and wet fall accounted for this decline, although farmers attempting to salvage as much as they could dug beets by hand when rains made their fields impassable to machinery.

Expectations of a continued long-term world deficit in sugar should result in further expansion of sugarbeet acreage in 1975. The decision taken at Brussels to increase EC sugarbeet acreage ensures this, but the 1975 plantings will depend on size of the EC price boost.

Oilseeds. The poor weather in 1974 decreased rapeseed output by some 10 percent to 590,000 tons. Sunflowerseed production also fell about 14 percent to 60,000 metric tons in the face of poor weather.

Fruits and vegetables. Production of fruit declined 15 percent in 1974 from the previous year. The May and June frosts adversely affected apple, pear, peach, and apricot crops, correcting the overproduction situation that had occurred in 1973 for apples and peaches. As a result, prices improved. Vegetable producers had an acceptable year, but hothouse producers were badly hurt by the high cost of fuel.

Wine. From an average annual production in 1962-72 of 60 million hectoliters, French wine production surged to 82 million hectoliters in 1973 and remained relatively high in 1974 at about 74 million. General quality of the 1973 wine was quite good, while that of 1974 was more irregular.

A combination of high stocks and weakened demand in some markets has depressed prices, with little improvement anticipated in 1975. The situation has not been helped by the "Winegate" trials involving adulteration of some Bordeaux wines, although well under 1 percent of the Bordeau wine was involved.

Foreign trade. According to preliminary estimates, France last year continued to maintain its place as the world's second largest exporter of farm products behind the United States.

France also became a better market for U.S. farm products in 1974, as shipments there rose $100 million in the first 11 months of 1974 to $439 million. During the same period, U.S. imports of French agricultural products dipped to $193 million from $205 million the year before.

Increases in soybeans, soybean cake and meal, and other oilseeds accounted for over 80 percent of the U.S. gain, with variety meats also an important—and growing—trade item. Demand for these essential products was not adversely affected by the economic problems of 1974. On the other hand, the composition of U.S. imports from France was more heavily weighted on the "luxury" side, and a sharp decline in U.S. demand for French wine resulted in imports of this top item falling to $73 million in 1974 from $117 million in 1973.

Farm policy. For 1975, Government policy toward agriculture is faced with conflicting aims. On one hand, the Government has promised to help farmers make up for the income losses of 1974 and to give them the same income gains as other groups. On the other hand, food prices rose faster last October (1.1 percent) and November (1.0 percent) than in the preceding 4 months, contrary to the overall price trend, and some Government authorities blame this on operations of the EC Common Agricultural Policy (CAP). A likely compromise could be lessened French insistance on support price increases in the CAP and new emphasis on direct aid to agriculture. Some estimates suggest direct French aid to farmers could exceed $1 billion in 1975.

25

—Based on report from KENNETH E. OGREN,
U.S. Agricultural Attaché, Paris

Australia's Farmers See Slump in Export Demand

On the heels of 3 buoyant years, world demand for Australia's top agricultural exports—meat and wool—has crumbled, severely depressing farm incomes that were already eroded by inflation and rising production costs.

Yet the farm picture is not entirely bleak. Devaluation of the Australian dollar in September 1974 and stronger world prices for wheat and sugar—also leading export earners—are cushioning the decline, and should prevent farm receipts from falling below the level of the early 1970's.

Australia's livestock industry in particular faces serious challenges this year. Producers are being squeezed by low product prices, higher costs, and the problem of obtaining sufficient credit at reasonable rates to ride out the current slump.

A number of factors will combine to limit the growth of Australia's economy in 1975. The Government faces the complex task of coping with the conflicting problems of rising unemployment and runaway inflation. Inflation in 1974 rose by 16.3 percent, and could accelerate even more in 1975.

This year, the Government forecasts a slowdown in nongovernmental spending and only modest growth in personal consumption. High prices, weakened confidence, and heavy debt burdens will prevent consumers from revitalizing the economy, as in the past. During fiscal 1974, however, Australia's gross national product gained 21 percent over the previous year, although in real terms, the gain was only 5.4 percent.

Internationally, disorder in world money markets (caused by recycling of petrodollars), inflation, recession, and the energy crisis are affecting Australia's major trading partners, especially Japan. Australia's farm sector depends heavily on the strength of world markets, since over 50 percent of farm output moves into export.

Australia's long-standing favorable balance of trade turned around in 1974, remaining negative from February through November. The trade balance swung to the plus side in December, however, as demand for imports receded. A small trade deficit is forecast for fiscal 1975.

Devaluation of the Australian dollar by 12 percent on September 25, 1974, helped to improve the trade balance, but results in the farm sector have been mixed. Agricultural products that benefited most were those already in high demand.

Following devaluation, the Wheat Board immediately increased export prices by the full 12 percent. Other grains, sugar, and dairy products also profited. But for industries such as meat and wool, already suffering from weak world demand, there was virtually no gain in foreign earnings.

Pressures are strong for import restrictions to help correct the expanding problems of unemployment and business failures. Import quotas and higher tariffs, as well as further devaluation, have been proposed. As pleas for import protection increase, the Government is attempting to persuade other countries to open their doors to Australian exports, particularly of agricultural products.

Overall, Australia's output of both crops and livestock increased by 3 percent in volume in fiscal 1974, compared with fiscal 1973, but was 3.5 percent below fiscal 1972's level. Crop outturns, excluding pastures, increased by 20 percent, but livestock production skidded by 9 percent.

In terms of prices and farm earnings, however, a different picture emerges. The gross value of farm production in fiscal 1974 was \$9.7 billion[1]—up 31 percent from fiscal 1973. Crops showed the strongest gains, with a gross value of \$4.2 billion, up a noteworthy 76 percent from the previous year. Livestock products advanced in value to \$5.5 billion, a gain of only 9 percent.

Rising three and a half times over the previous year's value, Australia's wheat crop grossed \$1.9 billion in fiscal 1974—topping the value of wool and beef and veal for the first time. The wheat harvest of 12.1 million metric tons was nearly double that of fiscal 1974. Sugar output, however, dropped 11 percent below fiscal 1973's and value declined by \$21 million.

In the livestock sector, the farm value of wool eased downward by 1 percent, but production dropped by 4 percent. The value of beef and veal advanced 15 percent, yet beef output plunged 9 percent below that of the previous year. In value, dairy output remained about level, but the value of pork products rose by 45 percent, owing to sharply higher prices.

Australia's agricultural exports in fiscal 1974 skidded nearly 20 percent below fiscal 1973's by volume, although value advanced 6 percent to \$5.3 billion. Crop exports slipped only 6 percent in volume below the previous year's, while livestock product exports tumbled by 22 percent.

Wool was the leading export earner in fiscal 1974—worth \$1.86 billion. It was followed by meat exports worth \$1.1 billion, wheat worth \$803.8 million, and sugar at \$332.5 million.

In fiscal 1975, according to a forecast by Australia's Bureau of Agricultural Economics, the volume of farm output could again rise by about 3 percent, largely because of increased marketings of livestock products. Farm exports are estimated at 8 percent above fiscal 1974's by volume—with crop exports gaining 38 percent and livestock product sales forecast down 9 percent, due mainly to lagging wool and meat exports.

Farm earnings will be lower in fiscal 1975. The value of farm production is projected to dip 9 percent below fiscal 1974's. Earnings in the livestock sector are expected to tumble by nearly 30 percent, while crop receipts will rise by 21 percent—a result of soaring world wheat and sugar prices, in contrast to probable low prices for meat and wool.

Earnings from Australia's agricultural exports in fiscal 1975 are now estimated considerably higher than they were before devaluation. Value is now projected at \$5.5 billion for this fiscal year, up 17 percent from a year ago and 10 percent over the pre-devaluation estimate. Strong wheat and sugar prices also caused the upward revision.

Since September, expected export earnings from wheat have been revised upward by 34 percent and sugar by 30 percent.

[1] Converted at the predevaluation rate of A\$1=US\$1.49. After September 25, 1974, A\$1=US\$1.33.

Wheat exports could reach $1.6 billion—nearly double the fiscal 1974 figure and far ahead of any other commodity. Sugar exports could nearly triple their value to $904 million. Livestock product exports however, are likely to be sharply off in value, with wool and meat the biggest losers.

Livestock and meat. The Australian livestock industry is highly dependent on the export market, since up to 65 percent of beef and veal and over 90 percent of wool are normally exported. A near collapse in world prices for meat and wool have left the industry severely depressed.

Beef production in fiscal 1974 at 1.3 million tons was 9 percent below a year earlier. During the first 10 months of calendar 1974, slaughter declined nearly 30 percent. This suggests a large backlog of cattle yet to be slaughtered, presenting the disturbing prospect of huge potential supplies and limited markets.

In the first 10 months of calendar 1974, Australian beef exports totaled 254,000 tons, compared with 514,759 a year ago—a fall of over 50 percent. Main declines have been to the United States, where shipments fell from 274,000 tons to 172,000; Japan, 100,000 tons to 26,000; the United Kingdom, 73,000 tons to 18,500; and Canada, 25,000 to 16,000.

Near-term, the export outlook is poor for beef, with Japan and the European Community still closed and the U.S. market about to be limited by voluntary restraints. The much-discussed Soviet beef sale—possibly as much as 50,000 tons—has not been completed.

Many beef producers feel that the worst is yet to come. Seasonal conditions have been good, but a "dry" could mean chaos. Auction prices are now only about 25 percent of those a year ago. Unless foreign markets open up soon, prices could fall even further in the next few months.

Wool. Australian wool production in fiscal 1974 totaled 1.5 billion pounds (greasy basis), down 4 percent from the year before. Output in fiscal 1975 has been estimated at 1.7 billion pounds—up 11 percent from last year's clip—although value could sag as much as 24 percent owing to low world wool prices. The Australian Wool Corporation, which recently initiated a price support system, is purchasing much of the wool offered for sale.

Neither is the export outlook bright for fiscal 1975. Volume will likely be about the same as last fiscal year, but prices will be down sharply. Wool exports are estimated at 1.3 billion pounds—32 percent below the previous year.

The drop in wool prices is largely a result of a slump in wool consumption in major importing countries. Consumption in Japan, Australia's largest market, has dropped dramatically. At best, only a mild recovery is expected in the export market in 1975.

Wheat. Although the Australian wheat crop was a spectacular 12.1 million tons in fiscal 1974, deliveries to the Wheat Board were 11.1 million tons, well below the national quota of 14.55 million.

For fiscal 1975, Australia's wheat outturn is now set at 11.7 million tons. The basic delivery quota, originally set at 14 million tons plus a 2-million-ton floating quota, will clearly not be achieved. As a result, the Government has announced suspension of national marketing quotas and the first advance payment has been increased to $2 per bushel.

The Bureau of Agricultural Economics estimates that wheat exports will increase to 8.7 million tons in fiscal 1975—a gain of nearly 65 percent over fiscal 1974. The value of exports is expected to more than double, making wheat the most important export commodity this season.

Feedgrains. Barley production also zoomed ahead in fiscal 1974, totaling 2.4 million tons, a jump of 40 percent over the year before despite an 11 percent decline in area seeded. Another increase of nearly 20 percent is expected in fiscal 1975.

Barley exports are profiting from strong demand and could rise 57 percent to 1.3 million tons this fiscal year. Value is expected to be up nearly 85 percent.

Oats are also expected to make a strong showing, with export volume due to rise 20 percent in fiscal 1975, but value expected to about double due to higher prices. Exports of sorghum in fiscal 1975 are slated to gain 8 percent over last season, as a result of greater export availability from the 17-percent-larger crop.

Sugar. Australia's sugarcane harvest, usually completed by end-January, is expected to be a record both in terms of production and income. The crop is estimated at about 3 million tons (raw value), 12 percent above last season's crop. The gross value is estimated to be over twice that of last year.

In general Australia's sugar exports have climbed over the past few years. Exports for fiscal 1975 could reach 2 million tons—up 7 percent from the year before. At present, most of Australia's exportable sugar supplies are committed under long-term agreements. Sugar supplies available for export from the 1976-77 crop should gain substantially, since home consumption has been relatively stable at 750,000 tons.

Dairy. Dairy cow numbers on Australian farms, dairy holdings, and total milk production all declined in fiscal 1974, compared with a year earlier. Milk output dropped to 6,876 million liters, compared with last year's 7,068 million, and production is forecast to fall by 7 percent in fiscal 1975.

Nevertheless, returns from dairy product exports in fiscal 1974 were up firmly from the previous year. Export sales were equal to $238 million—14 percent over the fiscal 1973 level. Although the value of butter sales fell sharply, higher returns for cheese, and especially for dried milk, more than offset the decline.

The outlook for dairy products for fiscal 1975 is for further improvement in export sales. Overseas earnings are expected to swell by 35 percent for the same volume of product, aided some by devaluation.

Fruits. Australian fruit output was slightly depressed in fiscal 1974, compared with the year earlier. The most important declines were in apples, peaches, and citrus, although the value of crops changed little. The outlook for fiscal 1975 is for a slightly larger outturn, particularly for apples and grapes.

Even so, the outlook for grower returns from this season's fruit crops is not good, owing mainly to steeper production costs and further increases in freight rates. Many growers are no longer interested in the export market and are prepared to take their chances on the domestic market.

—Based on dispatch from HARLAN J. DIRKS,
U.S. Agricultural Attaché, Canberra

High Feed Prices Hurt U.K. Turkey Firms' Growth

By LARRY E. STENSWICK
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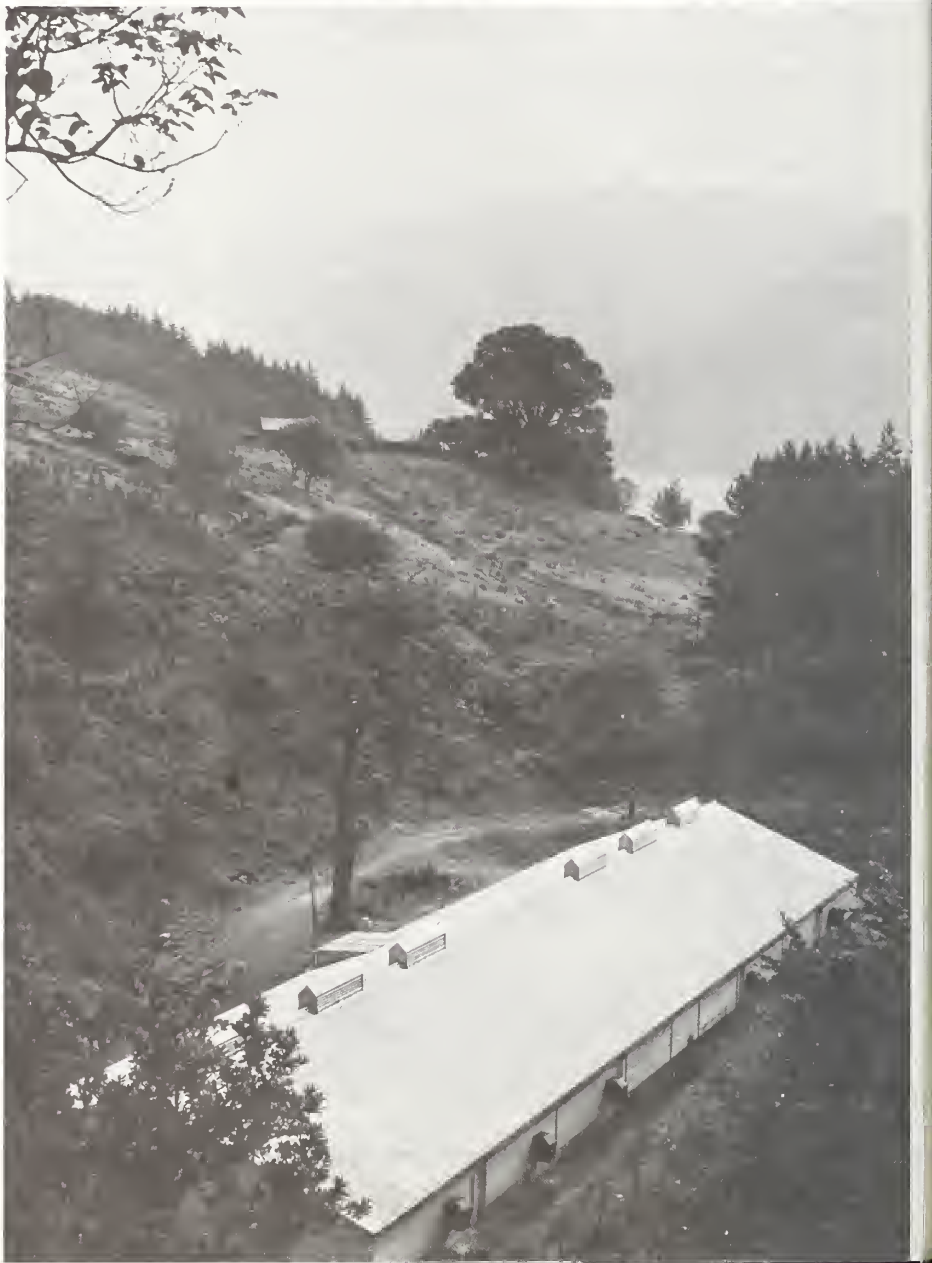


THE U.K. TURKEY industry has expanded rapidly in the recent past, with the number of birds slaughtered doubling in the last 5 years. Now, however—along with other segments of the U.K. poultry business—turkey growers, squeezed by higher feed costs, have cut back production.

Turkey stocks grew rapidly in the early months of 1974 as demand slackened. Profit margins of producers were affected not only by the feed price boost, but also by rapidly inflating costs of other inputs, wage rates, and debt service charges. And competing red meats—especially beef—have been abundant.

Indicative of the slump in gross margins was the fall in publicly owned shares of one turkey producer which plummeted 84 percent, with large pretax losses much more than offsetting last year's pretax profits. Another large turkey producer in Scotland has gone bankrupt and other firms in this troubled industry could follow.

The European Community should have been the logical outlet for U.K. turkey surpluses, but EC regulations dealing with this fowl limit U.K. access.

The most serious is the regulation that bars U.K. frozen turkey exports to EC Member States because the United Kingdom lacks an official poultry inspection system and, as a result, has no EC-approved processing plants. A few plants have been upgraded and the nucleus of an inspection agency set up—but the immense cost of bringing slaughter plants up to EC standards will make the going slow.

The United Kingdom's problems with the EC also stem from regulations that would have barred the sale of uneviscerated turkeys in the United Kingdom

Above, turkey sandwiches are becoming popular with patrons of U.K. pubs. Left, a turkey quarantine station of one of the United Kingdom's large turkey producers. Stock spends 6 months here before it is moved to the company's breeding farms. Although the U.K. turkey industry has shown rapid growth in recent years, it has now been discouraged by higher feed costs.

after transitional arrangements for poultry were completed in 1978. However, this caused a furor among small producers catering to this trade who make up one-fifth of the industry. The explosion was muted somewhat when U.K. Government officials got the regulation's effective date moved forward to at least 1980.

The United Kingdom's first year as a member of the EC—1973—was fairly profitable for U.K. turkey producers. Red meat supplies dropped 7 percent and their resultant high prices made it possible for turkey producers to raise market prices of their products enough to recover early increases in feed costs. U.K. price controls, which limited compounders' cost rises, also enabled turkey growers to earn what they considered a satisfactory profit margin.

The industry's first omen of trouble appeared toward the end of 1973 when forecasts of higher U.K. turkey prices for the holidays caused both retailers and housewives to buy frozen birds earlier than normal. This brought about a glut of fresh birds that became especially apparent at yearend.

Since then stocks of frozen turkeys grew to a point where they were about 2.5 times as large in September 1974 as they were during that period a year earlier—partly because traders were willing to hold stocks rather than precipitate a sharp price break from the peak of 65 cents per pound in November-December 1973. However, a sharp drop in poult placements in the second half of 1974 indicate the trade is adjusting to the changed situation.

The earlier buoyant demand came about after U.K. consumers began to buy turkey meat as a relatively low-cost alternative to red meats, unlike purchasers on the Continent who bought turkey products only after the more favored white veal became scarce.

Turkey meat sales in the United Kingdom were also abetted by active promotion campaigns and some clever marketing efforts. But price rises have halted this growth.

As the demand for turkey meat declined, the number of turkeys in the United Kingdom also dropped. In June 1974, the Government livestock census estimated the number of turkeys at 5.9 million birds, 8.6 percent less that the 6.5 million noted in the previous year's tally. Turkey poult placements fell from 20 million in 1973 to 18.1 million in 1974, while production of turkey meat dropped from 82,000 long tons in 1973 to an estimated 75,000 tons in 1974.

The predicted drop in 1974 turkey output in the United Kingdom is in marked contrast with an earlier estimate that production would rise 8-10 percent.

Traditionally, turkey has been Christmas-New Year fare and prior to the mid-fifties almost all of these birds produced in the United Kingdom were for this holiday period. About 5,000-6,000 producers place small numbers of poults once a year for the Christmas trade, with many of them buying the day-old birds in July and slaughtering the whole flock in mid-December to cater to those who want unfrozen, uneviscerated birds at yearend.

However, about 2,000 large flocks—over 10,000 birds each—supply the lion's share of the United Kingdom's turkeys. These flocks are in many cases associated with the handful of integrated companies that dominate this phase of production.

In the mid-fifties, some producers began to handle turkeys on a year-round basis, slaughtering birds as required and freezing them for the holiday peak. However, the number of birds sold at other times is increasing because of the introduction of "mini-turkeys" about 8 years ago, and the generic advertising campaigns of the British Turkey Federation aimed at larger turkey sales.

Production of turkey in the United Kingdom is mostly on a confinement basis, a trend that is also gaining headway in the United States. Most U.K. birds are sold as whole, ovenready birds in the 8-13 pound category. This contrasts with the U.S. situation where about 50 percent of turkey output is either further processed into items such as roasts, rolls, or cut into turkey parts such as drumsticks, wings, thighs, and breasts.

While further processing in the United Kingdom is clearly in its infancy, the industry may have begun to produce further processed items—particularly rolls and roasts—as producers search for new ways to reduce unprecedented stocks. In September, U.K. stocks in public cold storage totaled 15,600 tons, compared with only 6,100 tons at about the same time a year earlier.

If further processed turkey items of domestic origin become commonplace in the United Kingdom, their sale could cut deeply into the U.S. market for such prepared items as turkey breasts and rolls, which in 1973 amounted to over $3.5 million.

Moreover, the introduction of swinging supplementary levies—some currently as high as 60 cents per pound—on U.S. poultry exports to the U.K. market has already virtually eliminated the United States as a potential supplier of whole carcass poultry. And this country's trade in further processed products could be placed in jeopardy if additional duties are placed on these items. The maximum duty on U.S. cooked poultry items is currently fixed at 17 percent because of trade agreements between the United States and the United Kingdom.

(Despite the problems presented by these levies, many U.K. traders expect U.S. turkey products to have a continuing place in the U.K. market because of their variety and high quality.)

Most butchers in the United Kingdom believe the market for turkey items has not yet been fully tapped. To entice

Continued on page 16

Flue-Cured and Burley Prices Up For Canada's Record 1974 Crop

Canada's record 1974 tobacco crop, responding to strong world demand, is selling at unprecedented prices.

Ontario flue-cured, which accounts for an estimated 242 million pounds of the estimated 262.8-million-pound harvest, is up by 4 percent in volume compared with the 1973 crop, but is somewhat short of the 500-million-pound target set by the Ontario Flue-Cured Tobacco Growers' Marketing Board in 1972 for combined 1973-74 production.

A guaranteed minimum price of 84 cents per pound for Ontario flue-cured has been set for the 1974 crop. Price negotiations between the Board and the Canadian Tobacco Manufacturers' Council delayed the opening of Ontario's tobacco auctions until October 28, and prices in the opening weeks of trading averaged well above the minimum price at about 93 cents.

Commencing in 1975, Ontario growers will be assigned poundage quotas—rather than acreage quotas—a move that is expected to result in a rapid increase in the use of automatic harvesters. Growers will then be able to increase acreage to compensate for the field loss resulting from use of mechanical harvesters.

Green weight production of all types of Canadian tobacco harvested in 1973 from 120,867 acres totaled 257.3 million pounds, an increase of 37 percent over 1972's outturn of 186.8 million pounds.

Total area harvested can be expected to total 124,302 acres in 1974, with green weight production from this acreage estimated at 262.8 million pounds—a gain of 2.1 percent over the 1973 production level. This increase is mainly attributable to greater flue-cured production from the increased acreage allotment in Ontario.

Canadian flue-cured tobacco acreage totaled 117,295 acres in 1973. Total harvested area in 1974 is estimated at 120,761 acres, while production in 1974 is expected to total 258.2 million pounds, compared with 251.2 million pounds in 1973. Average yield per acre in 1974 is estimated at 2,138 pounds, slightly below the 1973 average of 2,142 pounds.

Ontario flue-cured production in 1974 is estimated at about 242 million pounds, short of the 250 million-pound target. Adverse planting weather reduced acreage by about 2,000 acres from the allotted 112,053 acres, but weather at harvest time was particularly favorable and quality was well above normal.

In Quebec Province, the 1974 flue-cured crop is expected to total 10.5 million pounds, down 10 percent from the 11.7 million pounds harvested in 1973. Quality was up, but wet weather in the spring reduced yields.

The severe frost in the Maritime tobacco region in September caused a loss of 1-1.5 million pounds, and 1974 flue-cured production is expected to total only 5.7 million pounds compared with 6.7 million pounds a year earlier.

Burley tobacco production is expected to total only 1.9 million pounds in 1974 from about 950 acres, compared with 2.7 million pounds from 1,220 acres in 1973—apparently the 71-cents-per-pound minimum price offered by buyers in early 1974 was not sufficient incentive for producers to increase production to the 3-million-plus pound target set by the Ontario Burley Tobacco Growers' Marketing Board. Quality is good, due to good curing weather.

Dark air- and fire-cured tobacco production in 1974 is estimated at 810,000 pounds from 491 acres, an increase of 4.8 percent from the 773,000 pounds harvested from 415 acres in 1973. An average quality crop is expected.

Cigar and pipe tobacco outturns in Quebec are expected to register below-normal leaf quality and yields because of heavy rains in June and July. Cigar tobacco production is estimated at 1.7 million pounds from about 1,900 acres. Pipe production is expected to remain close to 1973 levels and reach 225,000 pounds from an estimated 200 acres.

Average 1973 grower prices for all types of tobacco in Canada were not substantially above those of 1972. Prices for special types showed larger increases than for flue-cured tobacco.

Flue-cured returned 79 Canadian cents per pound in 1973, slightly more than the 77 cents per pound returned in 1972. Prices for the 1974 flue-cured crop, now being sold, are averaging about 94 cents per pound, 25 percent above 1973 prices.

The minimum burley price of 72 cents is 26 percent above the 57 cents averaged in 1973. Dark, pipe, and cigar-type tobacco prices also are expected to be up from 1973 levels.

It is estimated that up to 100 automatic harvesters were used in Canada in 1974. An expansion of their use, as labor costs rise and world tobacco supplies tighten, may have influenced the Board's decision to select poundage quotas as a means of avoiding the new tax assessment proposals that are based on tobacco land rights. Automatic harvesting, with some degree of field wastage, lends itself more to a poundage control system than an acreage control system.

With the expected increase in harvest mechanization, a few tobacco farmers have expressed interest in bulk shipping of their tobacco in bales weighing up to 500 pounds. Tobacco companies state that they are prepared to bid on any large bales offered this year for experimental purposes. It is likely that the Board will recommend that a study of handling tobacco from farm to processing company be prepared in the near future.

—Based on report from
Office of U.S. Agricultural Attaché
Ottawa

Mexican Irrigation Plan To Be Aided by Bank Loan

The Inter-American Development Bank has approved a $45.5 million loan to bring under irrigation about 116,584 acres of farmland in northwest Mexico. About 5,000 farm families in the coastal plain of Sinaloa will benefit.

Total cost of the project is estimated at $112.7 million, of which the Bank loan will cover 37 percent and local sources the remaining 63 percent.

The project will include:

- Construction of the El Comedero Dam on the San Lorenzo River, with a capacity of 3.5 billion cubic meters;
- Lining of the San Lorenzo canal;
- Water distribution and draining networks over about 116,584 acres;
- Acquisition of machinery for works maintenance, home for canal tenders, and preparation of land for the first farm cycle.

U.S. Farm Exports Set New Record in 1974 at $22 Billion

By DEWAIN H. RAHE
Foreign Demand and Competition Division
Economic Research Service

Despite a drop in export volumes of some commodities, higher unit prices pushed the total value of U.S. agricultural exports in calendar 1974[1] to the unprecedented level of $22 billion, one-fourth above the previous year's high, for the fifth consecutive annual export value record.

The export-volume drop was only 6 percent. But the export-unit value increase of a third more than offset this small decline.

Sharp price increases occurred for U.S. wheat, feedgrains, rice, soybeans, and vegetable oils. In contrast, export prices of U.S. meats, hides and skins, and soybean meal fell from the record levels of the previous year. The export unit value of cotton for all of 1974 was up substantially, but, cotton spot prices fell sharply during the last part of the year.

The sharp expansion in agricultural exports was a continuation of the growth that started in late 1972, a result of the opening of East-West trade, reduced agricultural production in some areas, a decline in fishmeal production in Peru, and the continued rise in demand, stemming from higher incomes and consumer expenditures in both developed and developing countries.

The 25 percent increase in U.S. agricultural exports boosted the favorable U.S. trade balance by $2.5 billion to an alltime high of $11.8 billion, despite a 22 percent increase in agricultural imports to $10 billion, also a peak. This record agricultural trade balance helped to offset the U.S. trade deficit in nonagricultural products which, at $14.8 bil.ion, was nearly double the deficit of a year earlier.

The quadrupling of petroleum import prices was the principal reason for the deteriorating trade balance in nonfarm products. The U.S. petroleum import bill was around $24 billion—over three times greater than a year earlier. Overall, the United States had a trade deficit of $30 billion, compared with the favorable trade balance of $1.3 billion in 1973.

The United States increased its agricultural exports to nearly every country and region, except the USSR. Asia is now the top foreign market for U.S. farm products, taking $8.4 billion in 1974, compared with $6.5 billion a year earlier.

Increased foreign exchange earnings from higher-priced petroleum stimulated exports to West Asia to a phenomenal level of $1.3 billion, 142 percent greater than in 1973. Reduced grain production in South Asia required a substantial stepup in grain imports, especially from the United States. U.S. exports to this region rose 48 percent to $835 million.

Countries in Southeast Asia have become rapid growth markets for U.S. agricultural exports, especially the Republic of Korea, Hong Kong, and the Republic of China (Taiwan). The increase in exports to these countries occurred in commercial sales, but shipments under Government programs remain important. Exports to Southeast Asia, excluding Japan and the People's Republic of China (PRC), rose 15 percent to $2.1 billion.

U.S. exports to Western Europe totaled $7.0 billion—up over one-fourth from a year earlier. Higher prices for grains and soybeans accounted for most of the overall value increase. However, quantities of soybeans and soybean meal also rose.

U.S. farm exports to Latin American countries hit a $2.6 billion record, compared with $1.7 billion in 1973. The in-

U.S. AGRICULTURAL EXPORTS: VALUE BY COMMODITY
CALENDAR YEARS 1971-74

Commodity	1971	1972	1973	1974	1973-74 change
	Million dollars	*Million dollars*	*Million dollars*	*Million dollars*	*Percent*
Animals and animal products:					
Dairy products	196	150	60	76	+27
Fats, oils and greases	270	209	333	585	+76
Hides and skins, excl. fur skins	155	292	375	337	−10
Meats and meat products	151	204	374	301	−20
Poultry and poultry products	78	90	120	138	+15
Other	124	178	343	351	+ 2
Total animals and products	974	1,123	1,605	1,788	+11
Grains and preparations:					
Feedgrains, excluding products	972	1,522	3,539	4,656	+32
Rice	256	388	539	852	+58
Wheat and major wheat products	1,112	1,479	4,200	4,635	+10
Other	94	101	209	190	− 9
Total	2,434	3,490	8,487	10,333	+22
Oilseeds and products:					
Cottonseed and soybean oil	311	241	237	696	+194
Soybeans	1,327	1,508	2,762	3,557	+29
Protein meal	420	434	985	999	+ 1
Other	131	225	324	476	+47
Total	2,189	2,408	4,308	5,728	+33
Other products and preparations:					
Cotton, excluding linters	583	503	929	1,335	+44
Tobacco, unmanufactured	496	672	714	886	+24
Fruits and preparations	354	429	535	596	+11
Nuts and preparations	77	93	121	156	+29
Vegetables and preparations	212	251	366	462	+26
Other	379	432	615	742	+21
	2,101	2,380	3,280	4,177	+27
Total	7,698	9,401	17,680	22,026	+25

[1] **All data are for calendar 1974 unless otherwise indicated.**

crease occurred in shipments to Mexico, Central American countries, Ecuador, Chile, the Caribbean area, Colombia, and Venezuela.

The PRC was a market for over $666 million worth of U.S. farm products, an increase of 16 percent over 1973's. Wheat exports totaled 1.9 million tons, valued at $234 million. Corn exports were 854,000 tons, down 39 percent. Cotton, which accounted for nearly all the increase, rose to 780,000 running bales with a value of $186 million.

Exports to the USSR dropped by two-thirds to $304 million. The decline occurred in wheat and corn. Wheat exports fell to 39 million bushels from 321 million, and corn dropped to 2.1 million tons from 4.2 million. Exports of lemons, soybeans, and linseed oil also were lower.

EXPORTS TO Eastern Europe rose 8 percent to top $626 million. Higher prices accounted for most of the increase. Corn exports to Eastern Europe rose 43 percent. But the quantity of protein meal exported to Eastern Europe decreased by 14 percent.

Exports to Japan—the top country market for U.S. agricultural exports—rose by 17 percent to $3.5 billion. Only 4 years ago, Japan became the first billion-dollar foreign market for U.S. farm products.

The increase in 1974 stemmed from higher prices as volume was down for most commodities. Wheat exports fell 17 percent to about 3 million tons, feedgrain exports were off by 15 percent to around 8.7 million tons. But volume gains occurred for tobacco, soybean oil, fresh fruits, fruit juices, and cotton.

By major commodity groups, here are the 1974 summaries.

Grains and preparations. U.S. exports of grains and preparations advanced to an alltime high of $10.3 billion, more than one-fifth above the level of a year earlier. Except for rice, the volume of grain exports was down from a year earlier. But the higher unit prices for these commodities more than offset the decline in volume to produce the sharp value rise.

U.S. wheat and product export volume fell nearly one-third to 26.3 million tons from 38.8 million in 1973. Nevertheless, this was the second highest level on record and was equivalent to around two-thirds of that year's total U.S. wheat production.

Most of the decline in U.S. wheat exports occurred in those to the Soviet Union, the PRC, and most developed countries. U.S. exports to the USSR totaled 1.1 million tons, compared with 8.7 million in 1973. The PRC took 1.9 million tons, down from 2.6 million in 1973. Japan bought some 600,000 tons less U.S. wheat than a year earlier. Exports also dropped to South Korea, Brazil, and Argentina.

Developing countries became important cash markets for U.S. wheat, with sharp export advances being recorded by South Asia, the Middle East, Africa, and Latin America.

U.S. rice exports totaled about 1.73 million metric tons, slightly above the previous year's 1.63 million tons. The increase occurred in commercial sales for dollars as exports under U.S. Government-financed programs dropped from year earlier levels. Rice exports fell to the EC, Canada, Indonesia, and South Korea. However, they increased to the Middle East, South Vietnam, Japan, and to Cambodia.

U.S. feedgrain exports of 37.2 million metric tons were about 10 percent below the 1973 record of 41.5 million tons. Reasons for the feedgrain export drop included a reduced U.S. crop caused by unfavorable weather. U.S. prices went up sharply as a result and supplies available for exports were very tight, discouraging foreign shipments.

U.S. feedgrain exports to Japan totaled 8.7 million tons, down about 1.6 million tons from a year earlier. Japan purchased more grain from Thailand, South Africa, and other major exporters. At the same time, expansion in the Japanese livestock industry softened, reducing its feedgrain needs.

U.S. exports of feedgrains to USSR, totaling slightly over 2 million tons, were about half the level of those of a year earlier. An improved grain crop in the USSR in 1973 and a relatively good one in 1974 reduced Soviet feedgrain import requirements.

U.S. feedgrain exports to the European Community totaled about 10.4 million tons, slightly below 1973's 11.3 million. The declines occurred primarily in exports to the United Kingdom and Italy. Record grain production in the European Community caused the reduced requirements for U.S. grains.

Other major markets for U.S. feedgrains included Canada, Spain, Portugal, Taiwan, Venezuela, South Korea, Mexico, Israel, and Greece. Exports to Mexico of 2.0 million tons were 123 percent up from a year earlier.

Oilseeds and products. U.S. exports of oilseeds, including products, rose for the 14th consecutive year to reach a record $5.7 billion. Their value was about one-third above the level of a year earlier, with most of the increase stemming from prices nearly 20 percent above those of 1973. Export volumes of soybeans, soybean oil, and soybean meal were also above those of calendar 1973. Volume of soybean oil export increased 74 percent from a year ago, and higher prices helped to push the value up nearly threefold from the previous year.

Exports of soybeans totaled 515 million bushels, compared with 486 million a year earlier. Demand for soybeans continued strong because of the tight world protein supply situation and a short supply of vegetable oils.

U.S. soybean exports have gained rapidly since World War II, with the increase averaging over 10 percent annually, the gain being concentrated in Japan, the enlarged EC, Mexico, Spain, and the PRC. Exports to Japan in 1974, however, fell to 101 million bushels from 117 million in 1973.

U.S. exports of oilcake and meal reached a record 5.8 million tons, about 545,000 tons above the 1973 level. In contrast to most commodities, the quantity increase was responsible for the gain in value.

SOYBEAN MEAL prices fell steadily in 1974, having been high in 1973 when U.S. supplies became tight because of increased foreign demand and the slightly reduced U.S. output. West European and North American countries accounted primarily for the gain in soybean meal shipments.

U.S. exports of cottonseed and soybean oil totaled 2.3 billion pounds, up from 1.5 billion pounds a year earlier. Soybean oil, accounting for nearly all of the increase, rose to 1.7 billion pounds, up from 1.0 billion pounds a year earlier. Reduced sunflower, peanut, rapeseed, and coconut oil exports, increased the demand for U.S. soybean oils. In addition, foreign consumption of vegetable oils has been rising in both developing and developed countries in recent years.

Fruits and preparations. U.S. exports of fruits and preparations increased by over one-tenth to $596 million. Higher prices accounted for most of the value

increase; however, volume was up slightly. Of the major fruit commodities, fresh citrus, other fresh fruits, and dried fruits showed the largest increase. Canned fruits were down in quantity, but higher prices kept the value at last year's level.

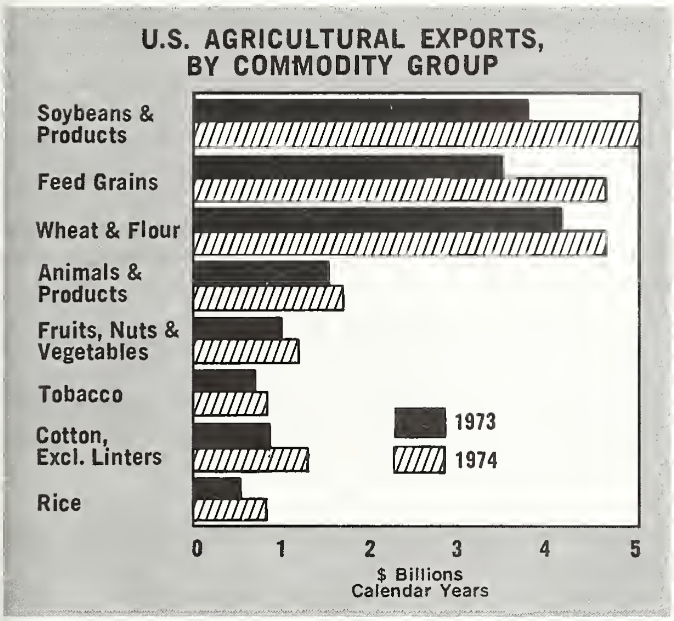
Canada, the largest U.S. foreign market for fruits, accounted for over half of total U.S. exports of fruits and preparations. Exports also increased to the Middle East, Western Europe, and Japan.

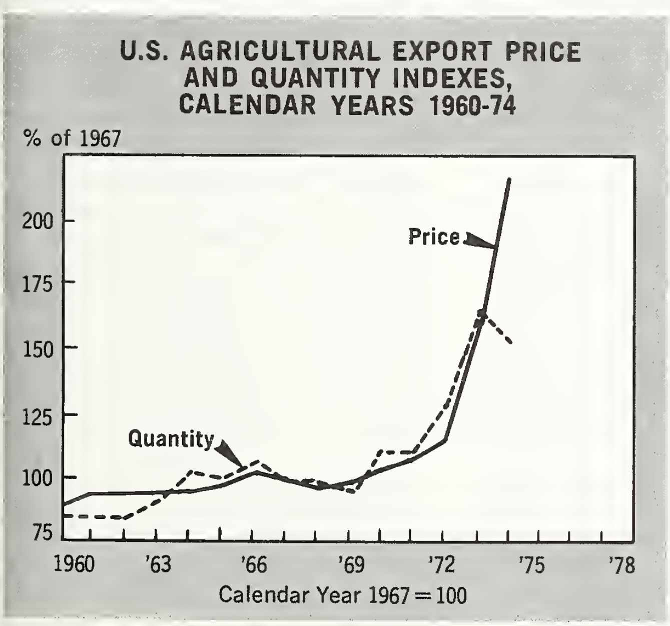
Vegetables and preparations. U.S. exports of vegetables and preparations increased by nearly one-third to $462 million. As with fruits, much of the advance was in fresh produce, which increased by more than 9 percent. Canned vegetables, dehydrated vegetables, and seasonings also showed healthy export increases.

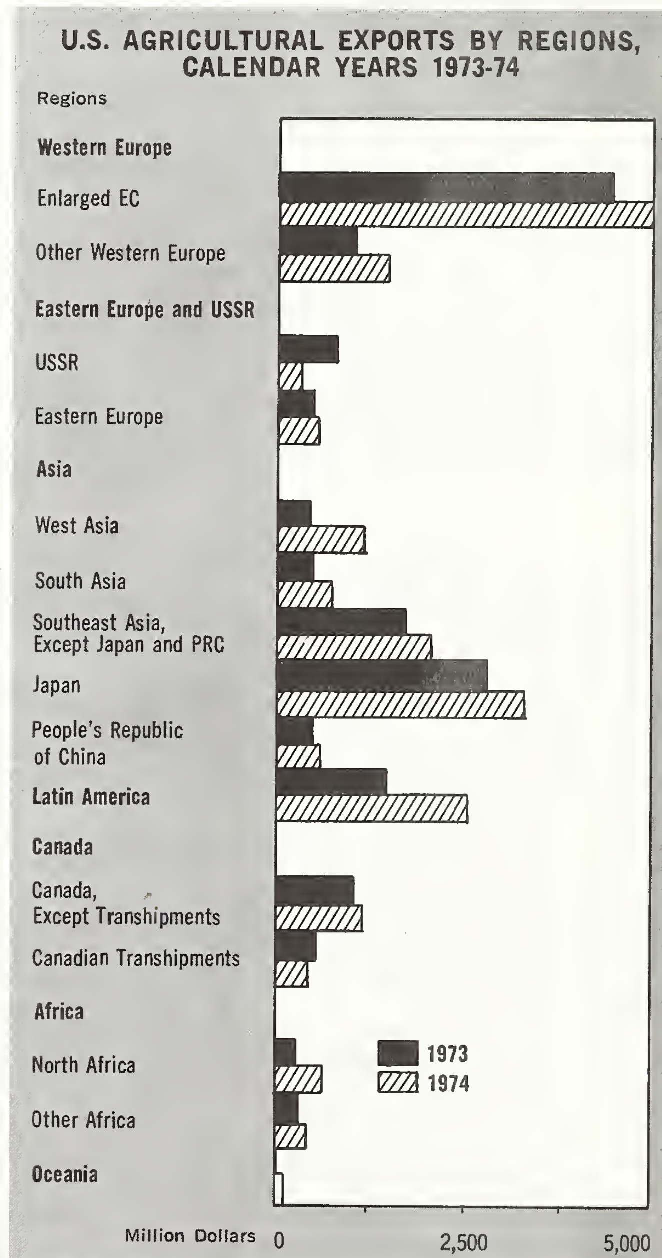
Nuts and preparations. U.S. exports of nuts and preparations gained by over one-fourth to $156 million. Most of the increase was accounted for by shipments of almonds. But exports of walnuts, pecans, filberts, and peanuts also expanded in the past year. Europe, Japan, the Middle East, and Canada were principal foreign markets for U.S. nuts.

Animal and animal products. U.S. exports of live animals and animal products advanced by 11 percent to reach a record of $1.79 billion. The substantial price increase and a moderate boost in the export quantity of animal fats accounted for the record value. Exports of most other items especially live cattle, beef, and pork, declined in volume.

Exports of meats and preparations fell by about one-fifth in value and one-tenth in quantity. Increased world livestock production, coupled with current economic conditions in major markets, dampened the demand for U.S. meat products. Because of larger production in major exporting countries and traditional importing countries, many of them restricted meat imports during the







calendar year just ended.

U.S. exports of hides and skins (excluding fur skins) totaled about $337 million, slightly below the $375 million of 1973. The value decline reflected reduced prices, resulting from lower economic activity and increased competition from other major producers. Japan, taking nearly 40 percent of U.S. hide and skin exports, continued to be the best market. However, the United States also exported considerable quantities of hides and skins to Canada, Eastern Europe, the USSR, Mexico, South Korea, Taiwan, and Western Europe.

"Countries in Southeast Asia have become rapid-growth markets for U.S. agricultural exports, especially the Republic of Korea, Hong Kong, and the Republic of China."

The tight supply of edible oils in both producing and importing countries contributed to the sharp advance in the demand for U.S. animal fats. Most of the increase was in inedible tallow which increased to over $480 million, about three-fourths more than a year earlier. Larger quantities of inedible tallow went to Egypt, South Africa, Brazil, Mexico, India, South Korea, and the United Kingdom.

U.S. exports of poultry and poultry products increased about 15 percent to a record $138 million. The value increase was due to higher unit prices and increased volume.

U.S. exports of dairy products increased by over one-fourth to $76 million. Higher unit prices were responsible for the increase in value as quantities of dry whole milk, condensed and evaporated milk fell substantially. However, infant foods, diet supplements, and cheeses gained slightly during the past year. A tight supply situation in early 1974 and high prices discouraged exports of dairy products.

Cotton. U.S. exports of cotton, totaling 5.2 million bales in 1974, were 6 percent below the 5.5 million of a year earlier. However, higher prices pushed the value up by two-fifths to $1.3 billion. Cotton exports were unusually large in the first half of the year when they totaled 3.6 million bales, valued at $899 million.

During the second half of the year exports fell to only about 1.6 million bales with a value of $436 million. Export unit value of cotton rose steadily during the year in contrast to spot prices that trended down. The higher export unit value of U.S. cotton was due to forward contracting in 1973 when spot prices were high.

Most of the decline in cotton exports occurred to Far Eastern destinations, which accounted for about 78 percent of U.S. cotton exports. But exports to Canada and Western Europe were off.

Tobacco. U.S. unmanufactured tobacco exports (including cut tobacco) rose about one-fourth to $886 million, a new record. Quantity was up about 8 percent. Principal increases occurred in bulk smoking tobacco, burley tobacco, and flue-cured tobacco. Tight world tobacco supplies encouraged U.S. exports in the past year.

"Exports to Eastern Europe rose 8 percent to top $626 million. Higher prices accounted for most of the increase. Corn exports . . . rose by 43 percent."

The average export unit value of unmanufactured tobacco increased about 17 cents a pound to $1.28. Cigarette smoking in the principal U.S. tobacco markets in Western Europe and Asia continued to increase. The growth in U.S. tobacco exports occurred primarily to Japan, Australia, Taiwan, Thailand, and Libya.

U.K. Turkey Industry

Continued from page 11

U.K. housewives to buy more turkey meat, the estimated 38,000 butcher shops in the country are presenting turkey products in some unusual forms.

About 10 percent of these stores have begun to cut large turkeys into portions to compete directly with popular beef, veal, and pork cuts. Turkey joints and fillets have proved popular, and at least one large turkey producing firm has actively promoted this innovation by holding seminars for butchers.

A spinoff from this activity is the centralized production of fresh turkey cuts by supermarkets for their various stores. Some producers expected 15-20 percent of their turkey output to be sold as cut-up portions in 1974.

The great potential in the United Kingdom is evident from the fact that the most rapidly growing area of supermarket merchandising is in the frozen food category, where banks of freezers provide self-service and substantial consumer savings. With more than one U.K. household in 10 having home freezers—up from one in 25 in 1971—meats that lend themselves well to freezing—and this includes turkey meat—have gained popularity with housewives. Turkey has also become popular with restaurants and quick-service units. Many of the 88,000 public houses in the United Kingdom now feature sliced turkey in lunches and sandwiches.

Helped by the protection granted through its EC membership, the industry and the Government have improved short-term production and marketing policies. But still to be resolved are longer range questions. Will the United Kingdom be able to persuade the EC to set aside permanently its pending ban on the sale of uneviscerated turkeys? Will the United Kingdom succeed in upgrading its processing plants and inspection facilities to overcome EC objections?

If these problems are resolved, and if poultry meat retains a relatively competitive price position with red meat, the U.K. poultry consumption uptrend will probably gain momentum again. And once the EC objections are done away with, the United Kingdom could become the Minnesota or California of the Community with sufficient output to take care of the U.K. markets as well as those of its EC partners.

Already the largest turkey producer in the EC located in eastern England, and other efficient new plants are planned for future construction. U.K. master breeding hatcheries already supply substantial quantities of birds to Germany and France. Thus, if the EC market opens, U.K. turkey growers will be ready to capitalize on the trade opportunities it offers.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Syrian Winter Grain Conditions Favorable

Conditions are currently favorable for winter grains in major grain-producing areas in Syria. Better distribution of rainfall has resulted in moisture conditions that are considered to be better than those during the same time in 1974. All of the barley and most of the wheat areas have been seeded, but some wheat planting was delayed because of wet field conditions.

Irrigated wheat area is estimated at 334,000 acres, about 5 percent above the official 1973 estimate. Areas in unirrigated wheat and barley are estimated at the 1973 levels of 3.34 million acres for wheat and 2.22 million acres for barley. Greater availability of fertilizer for applications on both irrigated wheat and some unirrigated lands using high-yielding varieties should improve yields. Preliminary estimates by the U.S. Agricultural Attaché place 1975 production of wheat at 1.1 million metric tons and barley, at 600,000 tons.

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Feb. 11	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	5.49	+17	6.49
USSR SKS-14	(1)	(1)	(1)
Australian FAQ[2]	(1)	(1)	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	5.30	+16	6.10
15 percent	5.56	+17	(1)
U.S. No. 2 Hard Winter:			
13.5 percent	4.97		6.20
No. 3 Hard Amber Durum	7.24		8.64
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	(1)
Feedgrains:	3.50	−3	3.55
U.S. No. 3 Yellow corn			
Argentine Plate corn	4.13	+7	3.96
U.S. No. 2 sorghum	3.30	+5	3.41
Argentine-Granifero sorghum	3.39	+7	3.40
U.S. No. 3 Feed barley	3.64	+4	3.11
Soybeans:			
U.S. No. 2 Yellow	6.51	+6	7.46
EC import levies:			
Wheat	.90	−17	0
Corn	.58	+2	0
Sorghum	.79	+1	0

[1] Not quoted. [2] Basis c.i.f. Tilbury, England.
NOTE: Price basis 30- to 60-day delivery.

EC Revises Grain Export Levies

The European Community Council has revised grain regulations to allow levies on exports to be applied whenever world prices or quotations of grains affected by the basic regulations reach Community price levels. Previously, export levies could only be applied when c.i.f. prices rose to 2 percent above the EC threshold price.

The change was made to give the Commission more flexibility in applying levies in conditions of tight world markets and high prices in order to assure adequate grain supplies for the Community. This change is not expected to affect trade significantly, since price swings commonly exceed 2 percent.

World White Bean Output Increases

U.S. exports of dry edible beans, all classes, for September-December 1974 were 2,143,000 hundredweight (cwt), compared to 1,705,000 for the same 1973 period. Exports of pinto beans to Mexico—the principal market—were up considerably, to 681,104 cwt during September-December 1974 from only 78,469 for the same 1973 period.

Exports of white beans, however, are moving only at about last year's level. Bumper crops of both great northerns and Michigan pea beans were produced in 1974. White bean production also increased dramatically in Argentina, Ethiopia, and Canada—which reportedly has moved about two-thirds of its export availability.

Argentina's Corn Prospects Brighten

Heavy rains and cool weather during the crucial tasseling stage in the main corn growing areas have practically assured Argentina of an excellent corn crop this year. Latest estimates by Argentina producer and grain industry sources now place production between 9.5-10.5 million metric tons. Corn exports for 1974-75 (July-June) are expected to total 6.3 million metric tons. Corn production in 1973-74 was 9.9 million metric tons; exports were 5.1.

South Africa's Corn Harvest Declines

Current estimates place the 1975 South African corn crop at about 8.5 million metric tons, or about 2.5 million metric tons below the record 1974 output. Area planted to corn is believed to be 10-15 percent under the 11.1 million acres planted in 1974.

Drought at planting time caused some farmers to switch to shorter maturing crops. Wet conditions have prevailed since the beginning of 1975, and some hail and flood damage has been reported.

Despite reduced harvest prospects, corn exports during the 1975-76 marketing year are expected to be close to the 3.5-million-ton level of 1974-75. Domestic use is not likely to increase substantially because of the possibility of a producer price increase for the new season.

DAIRY AND POULTRY

Austria Ups Poultry Import Prices

Austria has increased import charges further by raising the threshold or minimum import prices for certain poultry meat imports. For whole chickens (up to about 1 kg) the threshold has been increased 2.6 percent, to about 53 cents per pound. Increases on poultry parts are about 11 percent.

Recently, Austria has not been a leading U.S. poultry export market, taking in calendar 1974 only $264.000 of total U.S. poultry meat exports valued at about $80 million.

Canada's Egg Surplus Rising

Faced with mounting egg surpluses, Canada's Minister of Agriculture has called on Canadian egg producers and the Canadian Egg Marketing Board (CEMA) to look to production adjustments rather than import restrictions as a means of restoring prices to a profitable level.

CEMA had asked the Canadian Government to reimpose quotas on egg imports to protect Canadian prices. Such quotas were in effect during May-September 1974, when they sharply limited trade.

In mid-January, the Canadian egg surplus was estimated at 100,000 cases (30 dozen), with a potential weekly increase of 40,000 cases.

EC Pays Premium Chilled Broiler Prices

More and more the Common Market countries have been paying premium prices for fresh, chilled broilers, in contrast to prices being paid for frozen. Although the fresh, chilled variety has far to go before achieving a dominant market position, this preference for fresh, chilled broilers is in accord with prevailing consumer preferences in the United States. At the same time, however, it represents a switch from past European marketing practices for broilers.

The extent of the price premium for chilled broilers is indicated by 1973 Dutch retail prices—4.01 guilders per kilogram for frozen, 5.16 for fresh.

Because of time spent in transit, U.S. poultry can effectively compete only in frozen poultry markets in Europe.

Most Dutch Poultry Shipped to EC

Total Dutch poultry meat exports in 1974 were up 3 percent from those of a year earlier, with about 90 percent exported to other European Community countries. Only 26,000 metric tons of slaughtered poultry, including parts, went to non-EC countries.

Major markets for Dutch poultry outside the EC during 1974 (with amounts in metric tons) were: Saudi Arabia, 5,000; USSR, 3,000; Singapore, 3,000; Hong Kong, 1,700; and Switzerland, 1,400.

New Zealand's Dairy Output Reported

New Zealand's output of milk fat processed for manufacturing in November 1974 rose 1.3 percent, marking the first increase this dairy marketing year. However, total milk fat processed during June-November 1974 was still down 2.7 percent, compared to the same period a year ago.

Generally, conditions have been extremely dry with little rain during the past 2 months in some of the major dairy areas. Conditions in the Waikato, Auckland, and Northland areas appear to have improved this year, compared with those of last year, when drought struck. Some feeding of winter hay supplies, however, has taken place in these areas. It now appears that New Zealand's milk output this dairy marketing year (June 1974-May 1975) will be about the same as the 1973-74 level.

FRUIT, NUTS, AND VEGETABLES

Frost Harms Greek Oranges

Light frost on January 11 and 12 resulted in damage to the orange crop in Navplion (Argos area) of Greece. Temperatures dropped to about 26° F. for a few hours, causing some damage to the 80,000 metric tons of unharvested navels. Trees appear to have been undamaged. No significant damage was reported in other producing areas.

Because of the frosts, export embargoes have been applied to all oranges originating from the Navplion area. Some damaged fruit was consumed immediately by the fresh market and the processing industry. The frosts probably will have only a minor impact on the forecasts for the 1974-75 orange crop of 550,000-600,000 metric tons.

OILSEEDS AND PRODUCTS

Brazil, West Germany Agree On Joint Soybean Venture

The Governments of Brazil and the Federal Republic of Germany signed an agreement for the promotion of joint private industry ventures in soybeans. A group of representatives from both Governments will be established to work out methods for the production, processing, and marketing of soybeans.

TOBACCO

EC Sets Tobacco Export Subsidies

The European Community Commission recently increased the export subsidy on Italian fire-cured tobacco from 0.24 units of account (u.a.) per kilogram (kg) to 0.28 u.a. per kg (equivalent to about 13-15 U.S. cents per lb); and also added Sweden and Yugoslavia, and other countries having centrally planned economies to the list of destinations eligible to receive subsidized exports of German cigar tobacco.

Under the same regulation the Commission set termination dates for the payment of export subsidies on all varieties currently receiving restitution. Payment of the 10-cent and 16-cent-per-pound subsidies on 1971 crop Italian burley and oriental is scheduled to end March 31, 1975. Subsidies of 9-15 cents per pound on other varieties are to be terminated December 31, 1975.

The EC began its restitution program for tobacco in Jan-

uary 1973, when subsidies were placed on exports of 1971 crop burley and oriental to specified destinations. Subsidies on 1973 crop varieties, including burley, were approved in May and October 1974. Except for German cigar tobacco, all subsidized varieties are Italian.

The list of destinations eligible for subsidized exports includes most European countries (outside the EC), Tunisia, Morocco, Algeria, and countries in the Middle East, Far East, and South America. The United States is eligible only for subsidized exports of oriental tobacco.

The EC has not yet released statistics on exports under subsidy. Italian trade data show that about 5.7 million pounds of burley and oriental were exported to eligible destinations in 1973. These exports included 4 million pounds of oriental to the United States and 1.3 million pounds of burley to Japan, an increasingly important market for U.S. burley. It is not known, however, how much of these exports moved under subsidy.

The Commission has recommended no increases in the 1975 support prices for those varieties currently eligible for export restitution. It has proposed, however, an 18 percent increase in the buyers' premium for fire-cured and 2 percent increase for other varieties going into intervention.

LIVESTOCK AND PRODUCTS

Mexico Places Duty On Cattle Imports

On January 1 the Mexican Government revised the tariff schedules and imposed new import duties on live cattle. The new duty on all registered cattle is $240 per head; on grade cattle, $25 per head. Under previous tariff schedules registered cattle entered free of duty and grade cattle were dutiable at 1 peso per head plus 20 percent of the official price, equivalent to US$20.19 per head. (1 peso=.0801 U.S. cents.)

New tariffs are calculated on the basis of ad valorem rates applied to official prices. The official price for registered cattle is 30,000 pesos per head and for grade cattle 1,250 pesos per head. A 10 percent ad valorem duty is added to the official price for registered cattle and 25 percent for grade cattle.

The Mexican Cattlemen's Association, CNG, is opposed to the new tariff schedules and is trying to get them removed.

U.S. exports of cattle to Mexico during 1974 totaled 62,465 head, valued at $27.4 million. Of the total, breeding cattle numbered 35,993, of which 28,771 were dairy.

EC Proposes New Beef Levy System

The European Community has proposed a new beef levy system that would increase EC protection against third-country suppliers. Under the new system three basic levies would be fixed; one each for live cattle, fresh and chilled beef, and frozen beef. These levies are expected to be based on the actual price of a representative imported product.

In the current system levies are usually fixed every month. Levies on imported live cattle and fresh and chilled beef are directly related to the EC live cattle price. The frozen beef levy is based on the difference between the duty paid on the c.i.f. price of imported frozen beef and the EC guide price for live cattle multiplied by a coefficient of 1.53. Under the new system all three basic levies would be calculated every 3 months, but actual levies applied would depend on the EC price of cattle. Thus, under the new system all import levies on live cattle and beef would be adjusted for changes in the EC live cattle price.

The percentage of levies applied in accordance with the internal price of cattle also would be changed under the new system. In the new system levies were not removed until the average EC cattle price is 112 percent of the guide price. Under the current system levies are suspended when the average cattle price is 106 percent of the guide price; the levy on frozen beef is calculated separately. In addition, when the average price of EC cattle falls below 91 percent of the guide price, the rate of levy would increase to 130 percent of the basic levy. Under the present system the levy cannot exceed the actual amount calculated, or 100 percent. Thus, under the proposed system levies would be applicable over a wider price range and the amount of the levy would also be increased.

New Zealand Plans Meat Resale Program

The New Zealand Meat Producers Board announced January 24 it will move to support deteriorating farm prices by buying all beef, veal, lamb, and mutton from the domestic market. Export sales will be handled through existing export firms for a specified commission.

GENERAL

Frost Reduces Output Of Colombian Farms

Harmful frost struck the Bogota Savannah of Colombia in late December 1974. Government and farming officials recently assessed the damage, reporting that dairy farming suffered the greatest blow, with severe damage to pasturelands.

As a result, milk production in the Savannah is estimated to be down by 30 percent. Dairy cows in the Savannah number 200,000 head. The potato crop is reported to have been lost, and damage to the barley crop is assessed at 70 percent.

Other Foreign Agriculture Publications

- Canned Deciduous Fruit Production in Australia and South Africa (FCAN 1-75)
- World Wool Production in 1974 and Trade in 1973 (FW 1-75)
- World Sugar and Molasses Production Up Slightly for 1974-75 (FS 3-74)
- World Trade in Eggs and Poultry, 1972 and 1973 (FPE 1-75)
- World Honey Output Unchanged in 1974 (FHON 1-75)
- U.S. Exports of Dry Edible Beans, Peas, and Lentils Set New Value Record in 1973-74, But Quantity Down (FDP 1-75)

Single copies may be obtained free from the Foreign Agricultural Service, USDA, Washington, D.C. 20250, Rm. 5918 S.; Tel.: 202-447-7937.

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U.S. Farm Exports May Set Record in 1975

Continued from page 5

million tons shipped last season.

U.S. agricultural exports for fiscal 1975 are expected to increase to all regions of the world except the People's Republic of China and the Soviet Union, where decreases may amount to 65 percent and 25 percent, respectively.

West Asia and South Asia will demand about twice the value of U.S. exports in fiscal 1975 than in fiscal 1974. The increase to Africa will amount to about 15 percent over last year's. New Zealand and Australia will take about 11 percent more U.S. agricultural exports than in fiscal 1974.

Continued problems of reduced economic growth have dampened demand in Western Europe while prices remain high. The decrease to that region amounts to approximately $300 million, and quantities of wheat, feedgrains, rice, soybeans, and tobacco are down.

In general the world out-look for developed countries is for negative or slow economic growth in the first half of 1975, followed by an upturn in the second half for some countries. Possible exceptions are the United Kingdom, Denmark, and Italy where some analysts see negative growth throughout this year.

Growth rates in various countries could be strengthened by government policies and programs but many developed nations presently have 10–15 percent rates of inflation. Thus, governments must structure their expansionary policies very carefully so as not to create even higher rates of inflation. The rate of inflation already is 25 percent in Japan and about 20 percent in United Kingdom and Italy.

Also, the need to export to earn foreign exchange to pay for oil imports places a restraint on the amount of inflation nations can incur. High rates of inflation could place them at a disadvantage in the world market. On the average, exports are about 25 percent of gross national product in Europe and about 11 percent in Japan.

U.S. grain and feed exports are expected to reach $11.5 billion in fiscal 1975, an increase of nearly 7 percent when compared with the fiscal 1974 level. Virtually all this gain is due to higher prices. Feedgrain exports are expected to reach 30 million metric tons, substantially below the 43.8 million tons shipped last season. Exports of wheat are also expected to total 30 million metric tons in fiscal 1975, compared with 31 million last year. Rice shipments are placed at 2.4 million tons, sharply above last year's 1.6 million and reflecting the bumper 1974 crop.

Exports of oilseeds and products should approach $5.4 billion in fiscal 1975, 2 percent above year-earlier levels. Increased prices for soybeans and soybean oil will account for virtually all the anticipated increase. Soybean meal prices are running below last year's levels.

Cotton exports, including linters, are expected to total 3.9 million running bales, with value of $1 billion. This compares with the fiscal 1974 levels of 6.1 million bales worth $1.3 billion.

Exports of livestock and products are projected at $1.4 billion, down 14 percent when compared with the fiscal 1974 level. The livestock industry in the United States and other major producing and importing nations remains depressed due to stagnating consumer demand and heavy supplies of beef, while price pressure on inputs maintains production costs at high levels.

Exports of fruits, vegetables, nuts, and preparations are forecast at a record $1.2 billion in fiscal 1975.

Exports of dairy and poultry products are forecast at $300 million, compared with last year's $200 million total.

Exports of sugar and tropical products are expected to total about $315 million in fiscal 1975, versus last year's $287 million.

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